GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:126
ANSWERED ON:08.03.2002
INDO-NEPAL TREATY
PAWAN KUMAR BANSAL

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Indian Industry has expressed grave concern about certain provisions of the Indo- Nepal Trade Treaty;

(b) if so, the grounds thereof; and

(c) the impact on domestic industry of levy of higher duty on different raw materials while exempting the finished goods from the incidence of customs duty?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION No. 126 ANSWER ON 8-3-2002 REGARDING INDO - NEPAL TREATY

(a) to (c) : 1. Duty-free access to Nepalese imports on a non-reciprocal basis was first given in 1971 but with a Nepalese/Indian material content requirement of 90 (ninety) percent. This was gradually reduced when the Treaty was periodically renewed and in 1993, it was brought down to 50 (fifty) percent of Nepalese material content, Nepalese labour content and Indian material content.

2. However, when the Treaty was last revised in December 1996, this local content norm was completely deleted and a Certificate of Origin issued by the Federation of Nepal Chamber of Commerce and Industry (FNCCI) was sufficient for duty-free access of Nepalese products into India.

3. This had led to a surge in the imports of some commodities, notably vegetable fat (vanaspati), acrylic yarn, copper items and zinc oxide. Consequently, there have been representations from the Indian industries in these sectors.

4. To address these concerns of Indian industry, a notice was issued on August 14, 2001 to the Nepalese Government that India seeks a review and revision of the Trade Treaty which was to expire on 5th December, 2001. To provide time for the bilateral negotiations to continue, India extended the term of the Treaty for three months beyond 5th December 2001.

5. The Department of Commerce of the Government of India held several rounds of discussions with the Indian industry, especially the affected sectors mentioned above. The Indian industry`s concerns formed the basis of the revisions in the Treaty proposed by India.

6. After six rounds of bilateral talks, three of them at the Commerce Secretary level, between September 2001 and February 2002, India and Nepal agreed to renew the Trade Treaty for five years with effect from 5th March 2002,incorporating revisions to address the concerns of Indian industry. The salient features of the revised Treaty are as follows:

- While there is no change in the Treaty, the salient features of the changes in the Protocols, are as follows:
- Validity period from 6th March 2002 to 5th March 2007;
- Transition period until 16th April 2002;
- Value addition norm : a maximum of 75% of third country inputs allowed for one year from 6th March 2002 and a maximum of 70% of third country inputs thereafter;
- 4-digit HS transformation and exclusion list of processes prescribed for manufacturing;
- Nepal to provide data to India on calculations for grant of Certificate of Origin;
- Provision for review of Certificate of Origin by India in case of doubt;
- Safeguard clause introduced by which India can take action to protect domestic industry in case of surge in Nepalese imports injuring or threatening to injure Indian industry;
- Annual quota fixed for the following sensitive items:

Sl.No.	Nepalese article	Quantity in MT per year
1.	Vegetable fats (Vanaspati)	100,000 (One hundred thousand)
2.	Acrylic Yarn	10,000 (Ten thousand)
3.	Copper products under Chapters 74 & Heading 85.44 of the H.S.Code	7,500 (Seven thousand five hundred)
4.	Zinc Oxide	2,500 (Two thousand five hundred)

The concerns of Indian industry have been adequately addressed in the revised Treaty signed on 2nd March 2002.

A copy of the Revised Protocols to the Indo-Nepal Trade Treaty have been made available to the Parliament Library.